

TOP SECRET
SECURITY INFORMATION

75939-c

CENTRAL INTELLIGENCE AGENCY
BOARD OF NATIONAL ESTIMATES

85

4 March 1953

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

SUBJECT: SE-37: Probable Effects on the Soviet Bloc of
Certain Courses of Action Directed at the Internal
and External Commerce of Communist China

1. The attached draft estimate has been approved by the Board of National Estimates pursuant to a consideration of it by the IAC representatives.
2. This estimate has been placed on the agenda of the IAC meeting scheduled for 10:30 Thursday, 5 March.

25X1A9a


Executive Secretary

Distribution "A"

DOCUMENT NO. 2a
NO CHANGE IN CLASS. ☐
DECLASSIFIED
CLASS. CHANGED TO: TS 61991
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE 2-9-81 REVIEWER: 372044

TOP SECRET

~~CONFIDENTIAL~~

TOP SECRET

Korea or Communist China undertaken in conjunction with some or all of these courses of action.

CONCLUSIONS

1. Present controls on trade with Communist China have not prevented the build-up of Chinese Communist military strength. Moreover, Communist China's industrial and internal transportation systems have continued to expand since 1950, but at a greater cost to the Soviet Bloc and at a lower rate than if Western controls had not been in effect.
2. A total embargo on non-Communist trade with Communist China would probably have no significant effect on Chinese Communist capabilities to sustain military operations in Korea or to undertake military operations elsewhere, but would retard the expansion of Chinese Communist industry. An embargo would make Communist China economically more independent on the USSR. An embargo would probably not induce the Communists to embark on new aggression, but would probably lead them to intensify political warfare.
3. A naval blockade of Communist China* would increase

* A naval blockade of Communist China would not cut off seaborne trade unless it included Port Arthur and Dairen and unless trade with mainland China through Hong Kong and Macau were prevented. It should be noted that the Soviet Eastern ports would not be included in a blockade of Communist China.

TOP SECRET

the difficulty of military operations requiring large expenditures of materiel, either in Korea or elsewhere. The present estimated maximum capacity of the inland transportation facilities serving Communist China is probably adequate to carry essential tonnage now sea-borne plus the essential traffic now carried by land. However, a blockade would create serious problems. For instance, railroads do not serve all parts of Communist China now served by coastal shipping. A blockade would make Communist China economically more dependent on the USSR and would retard the expansion of Chinese Communist industry to a greater extent than an embargo. The net political effect within Communist China would probably not be significant.

4. In reaction to a naval blockade, the Chinese Communists would almost certainly attack the blockading forces, with covert Soviet assistance, and might launch new acts of aggression, such as the seizure of Hong Kong and Macau. The USSR might react to a naval blockade by attempting to bring merchant ships into Port Arthur and Dairen under Soviet naval escort, by attempting to force the blockade at other points, or by waging mine and submarine warfare against the blockading forces. However, we believe that the USSR would be unlikely to regard incidents arising out of attempts to force the blockade as a casus belli.* We believe that the blockade would not in itself induce the Communists to accept a Korean settlement on UN terms.

* The Assistant Chief of Staff, G-2, would prefer that this sentence read as follows: "However, the Kremlin would make its decision with regard to the blockade in the light of the global policy of the USSR, and probably would not make a determined effort to break the blockade unless the USSR was prepared to accept a major extension of hostilities with greatly increased likelihood of general war."

5. Large scale and sustained air and naval bombardment of key Chinese Communist transportation lines, in conjunction with a naval blockade, could sharply reduce Chinese Communist military capabilities. Communist China's economic potential would be seriously affected, and the physical problems of the regime in maintaining control would be increased.

6. In reaction to a blockade and bombardment, the Chinese Communists would make a maximum air defense effort in China and Manchuria. Units of the Soviet Air Force in the Far East would covertly participate in the air defense effort, particularly in Manchuria. The Chinese Communists would probably also employ their air capability against some US/UN bases in the Far East. We believe that a blockade and bombardment would not in itself induce the Communists to accept a Korean settlement on UN terms.

7. In the unlikely event that the blockade and bombardment should threaten the existence of the Chinese Communist regime, the USSR would increase its aid to Communist China, possibly even to the point of openly committing Soviet forces against US forces in US/UN held territory and adjacent waters in the Far East.

8. Blockade and bombardment by the Chinese Nationalists alone would, under present circumstances, have only limited effects.

TOP SECRET

In reaction to a Chinese Nationalist blockade and bombardment, the Chinese Communists would almost certainly attack the blockading and bombarding forces and might retaliate by air against Nationalist-
*
held territory.

* The Director of Naval Intelligence believes that, if given sufficient U.S. materiel and training support and complete U. S. staff planning for all blockading operations, the Chinese Nationalists could probably impose a blockade which would reduce up to 90% of all seaborne traffic, and most of the coastal traffic south of Shanghai and through the Straits of Formosa. This probably could be accomplished within a period of six months after receipt of U.S. assistance and despite Chinese Communist air and surface operations.

TOP SECRET

and purely military items. A number of Middle Eastern and South-east Asian countries have made a general commitment to deny strategic items to the Chinese Communists, while India, Pakistan, and Burma have not been willing to go on record as supporting the UN Resolution although they have been cooperating informally in preventing re-export of strategic items to the Chinese Communists. Ceylon, which is not a member of the UN, has refused to comply with the UN Resolution so far as shipments of rubber to Communist China are concerned.

12. Shipping controls have been particularly weak. The COCOM countries prohibit the sale of ships to Communist China and impose restrictions on the sale of merchant ships to the rest of the Bloc. Since October 1950 at least 33 vessels have been transferred to Soviet bloc flags. However, COCOM restrictions on sales were tightened somewhat in December 1951. The US alone has imposed comprehensive formal controls on ship sales, repairs, and bunkering. During the past year 61 Bloc ships, totalling 300,000 gross registered tonnage, received 30 days or more of repair work each in Western shipyards. Only the US, Costa Rica, Honduras, and Panama prohibit vessels of their registry from entering Chinese ports, although Liberia prohibits vessels of its registry from carrying strategic cargo to Communist China. Present COCOM controls do not prohibit the chartering of

- 7 -

TOP SECRET

TOP SECRET

merchant vessels other than tankers to the Soviet Bloc and this prohibition has not been effective. Although the greater percentage by far of chartered vessels do not touch Chinese Communist ports, these vessels are used by the Soviet Bloc in Western European, South Atlantic and Indian Ocean trade and make possible the release of Communist flag vessels for direct service to Communist China.

THE EFFECT OF PRESENT CONTROLS ON COMMUNIST CHINA

Effect on Foreign Trade

13. Imports from non-Soviet Bloc Countries. The value of the goods imported from non-Communist countries by Communist China rose to a peak in the first half of 1951 but then dropped sharply during the second half of 1951, when trade controls became more stringent, and have remained at a relatively low level through 1952. These imports are estimated at \$382 million in the first half of 1951, \$148 million in the second half of 1951, and \$135 million and \$155 million respectively in the first and second halves of 1952. The volume of imports from non-Communist countries fell from 746,000 tons in the first half of 1951 to 242,000 tons in the second half of 1951, and then rose to 270,000 tons in the first half of 1952 and 330,000 tons in the second half of 1952.^{1/}

25X1X7

25X1X7

^{1/} The figures in this paragraph are based on an [redacted] study of Communist Chinese imports during 1951 and the first half of 1952, and preliminary US estimates for the last half of 1952. ONI believes that the volume of trade is larger than the figure agreed upon and included in these calculations, but it is impossible to arrive at a new agreed estimate at this time, and in any case, it is unlikely that the new figures would invalidate any of the conclusions based on the present figures.

TOP SECRET

the Soviet Bloc merchant fleet. It would require the Soviet Bloc to fuel vessels from tankers at sea and require the Bloc to transport additional fuel to the Far East, either over the Trans-Siberian Railroad or by tankers. Bloc tankers are presently carrying essential POL.^{1/}

33. An embargo would also result in an increase in the value of Communist China's exports to the Soviet Bloc but a decrease in the value of its total exports. Because of the increased transport costs involved and the nature of the commodities, it is probable that it would not be worthwhile for the Communists to divert to the European Soviet Bloc a large part of the 1.7 million tons of commodities that Communist China now exports to the West. However, Communist China plans to increase its production of strategic minerals with which to pay for its imports from the Soviet Bloc, and other exports from Communist China could be increased so that there would be little or no net effect on Communist China's debtor position in the Bloc.

34. On the basis of the above highly speculative estimates, an embargo would reduce the volume of Communist China's total imports in 1953 by 300,000 tons and the value by \$130 million. This would represent a reduction of approximately 10 percent in the value of Communist China's total imports and perhaps as much as 20 percent

^{1/} The Soviet Bloc has the ship capacity to carry the total seaborne imports to Communist China, even without chartering Western vessels. However, under these circumstances the USSR would have to use some lend-lease vessels in this trade, thus risking their seizure by the US. In addition, the Soviet Bloc would have to find alternative and more costly means for carrying on its trade with the West.

production of consumers' goods, these losses in output would in part be offset by the increased availability for domestic consumption of some commodities that formerly were exported to the West. The loss of foreign flag shipping for domestic coastal services would reduce coastal shipping capacity. However, Chinese Communist shipping, which now carries the bulk of this trade, and the North-South rail lines could absorb the load now handled by foreign flag ships.* Finally, with imports and production of some consumer goods reduced and non-Communist markets virtually eliminated, the government would be confronted with a sizable loss of revenue. These losses, however, would be minor in relation to the total national income and to total Chinese Communist budgetary expenditures.

37. Military effects. A total embargo would probably have no significant effect on the capabilities of the Chinese Communists to sustain military operations in Korea and very limited effects on their capabilities to undertake military operations elsewhere.

38. Internal Political Effects. A total embargo would not appreciably affect the internal political strength of the Chinese Communist regime.

* (NI) reservation.

TOP SECRET

Bloc increased its present level of exports to Communist China. Secondly, the amount by which total imports were reduced would depend on the capacities of the Trans-Siberian railway and the capacity of Communist China's inland transportation facilities.

48. Soviet Bloc Exports to Communist China. Although the Soviet Bloc would probably provide Communist China's essential import requirements, the Bloc probably would not replace all of Communist China's imports lost because of a blockade. Of the projected 1953 seaborne import tonnage of 1.4 million tons, about one-third consists of controlled commodities, such as petroleum, metals, and machinery, while two-thirds consist of commodities which can now be imported from non-Bloc countries. It is roughly estimated that the Soviet Bloc would continue to supply all of the controlled commodities but only about one-third of the other commodities, or a total of about 800,000 tons. Of the non-controlled materials, the Soviet Bloc would replace in part Communist China's imports of rubber, industrial chemicals, and drugs but would replace little or none of the imports of raw cotton, ammonium sulfate, paper, sugar, and gunny bags. On this basis, the total of Communist China's imports over the Trans-Siberian railway primarily from the East would

- 29 -

TOP SECRET

TOP SECRET

average haul involved, the transportation overland of the freight cut off by a blockade would require about 10 percent of the freight car park and about 8 percent of the locomotive park. We believe the Chinese Communist railroads have the capacity to carry this additional freight, but it should be noted that some parts of mainland China now served by coastal shipping are not served by rail lines.

51. Since the additional burden of essential tonnage placed on both the Trans-Siberian Railroad and the internal transportation system of Communist China could probably be carried with existing capacity, we believe that the reliance on overland transportation facilities would not limit the extent to which Communist China's essential seaborne imports could be replaced. Moreover, it should be pointed out that it would be possible for the USSR to ship goods to China by sea to Vladivostok and thence by rail to China.
*

52. Economic Effects. A naval blockade would have a greater effect on the Chinese Communist economy than would an embargo. The planned economic growth would be seriously retarded, additional strains would be placed on internal transport, and further gains from trade and further budgetary revenues would be lost. In those areas which are now served by coastal shipping and which are not served by rail lines,

TOP SECRET

EXCLUDING PORT ARTHUR, DAIREN, HONG KONG, AND MACAU

56. A naval blockade would almost certainly be ineffective if Dairen and Port Arthur were excluded. These ports together are believed capable of handling about 45,000 tons a day, or many times the estimated total daily seaborne imports of all of Communist China at present. The readjustment of internal distribution necessitated by the blockade of all other seaports would impose additional strains on the Chinese Communist railway system.*

57. A naval blockade would almost certainly be ineffective unless measures were taken to prevent trade with Communist China through Hong Kong and Macau. These ports, together with their road and rail connections with Communist China, could handle a large part of the projected seaborne imports of Communist China. The readjustment of internal distribution necessitated by a blockade of all other seaports would impose additional strains on the Chinese Communist railway system.

* See Paragraph 50.

TOP SECRET

TOP SECRET

is used by east-west traffic as well as by the main coastal railway. Other rail targets include the Yellow River bridge north of Cheng-hsien on the Peiping-Hankow-Kowloon route, the Pu-chen-Nanking railroad ferry on the Peiping-Shanghai route, and the Yangtze River ferry crossing at Wu-chang. The most important waterway targets are along the Yangtze and Hsi (West) Rivers, which together with the Sungari River in Manchuria are estimated to carry three-quarters of the 25 to 35 million tons of cargo carried annually on Chinese waterways. Although these targets are not individually as important as those noted previously, their effective interdiction would place a heavy strain on the transportation system.

RESULTS OF A LARGE-SCALE AND SUSTAINED AIR AND NAVAL BOMBARDMENT
CAMPAIGN AGAINST INLAND TRANSPORTATION FACILITIES

60. If a naval blockade of the China coast including Port Arthur and Dairen were in operation, large-scale and sustained air and naval bombardment of this

- 39 -

TOP SECRET

TOP SECRET

target system would have an extremely serious effect on Communist China military and economic potential. It is probable that a prolonged disruption of the main surface routes in Manchuria leading from the USSR would critically reduce Chinese Communist offensive capabilities in Korea and seriously reduce their defensive capabilities in Korea. Some supplies could be sent from the USSR directly into North Korea by means of the important alternate route from the Soviet Maritime Province into Northeast Korea at Hongui. However, large-scale and sustained air bombardment of all bridge crossings over the Yalu and Tumen rivers, in conjunction with air bombardment of transportation facilities in Manchuria and China, would impose a severe strain upon Communist logistic capabilities in Korea to the point where their offensive capabilities would be severely curtailed, if not eliminated. Air bombardment of the key Chu-chou-Heng-yang rail link into south China would gravely handicap Communist military operations in Southeast Asia. Large-scale and sustained bombardment of the vital rail link between Manchuria and China proper, coupled with attacks on selected targets within Central China would put severe pressures on the Chinese economy. There are indications that the Mukden-Shanhaikuan line has been supplemented by the restitution of the Chihhsien-Kupeikou line, creating a double link between China and Manchuria. Taken together, large-scale and

- 40 -

TOP SECRET

TOP SECRET

sustained bombardment of all these routes could progressively undermine Communist China to a point where its military capabilities would be sharply reduced and the physical problems of maintaining the regime's controls would be increased.

CHINESE NATIONALIST CAPABILITIES TO BLOCKADE THE CHINA COAST AND TO CONDUCT AIR STRIKES AGAINST LINES OF COMMUNICATIONS ON THE CHINA MAINLAND

A. NATIONALIST CAPABILITIES

61. Blockade. The Chinese Nationalist Navy currently has a total of 38 sea-going vessels suitable for blockading operations. In addition, there are more than 100 smaller types that could be used in blockading a coastal area within a range of 400 miles of Taiwan. The Nationalist Navy now possesses a low combat capability because of poor staff planning, poor maintenance of vessels and equipment, and serious deficiencies in communications, surface-firing, AA-firing, and radar and sonar detection.

62. At present, the Nationalist Navy, supported by aerial surveillance, air cover, and aerial mining of Chinese Communist ports by the Chinese Nationalist Air Force (CNAF), probably has

- 41 -

TOP SECRET

TOP SECRET

addition, Communist China would almost certainly commit its air and naval forces against the blockading forces with covert Soviet assistance and might launch attacks against Hong Kong and/or Macau, particularly if these territories were in any way assisting the blockading powers. The USSR might react to a naval blockade by attempting to bring merchant ships into Port Arthur and Dairen under Soviet naval escort, by attempting to force the blockade at other points, or by waging mine and submarine warfare against the blockading forces. However, we believe that the USSR would be unlikely to regard incidents arising out of attempts to force the blockade as a casus belli,^{*} but the USSR would exploit such incidents to create dissension among the non-Communist powers.

68. Large-scale and sustained air and naval bombardment of key Chinese Communist transportation lines, in conjunction with a naval blockade, could sharply reduce Chinese Communist military capabilities, but would probably not in itself induce the Communists to accept a Korean settlement on UN terms. Communist China's economic potential would be seriously affected, and the physical problems of the regime in maintaining political control would be increased. In reaction to a blockade and bombardment, the Chinese Communists would make a maximum air defense effort in China and Manchuria. Units of the Soviet Air Force in the Far East would covertly

* See G-2 reservation on page 3.

TOP SECRET

participate in the air defense effort, particularly in Manchuria. The Chinese Communists would probably also employ their air capability against some US/UN bases in the Far East. If, in the unlikely event the blockade and bombardment should threaten the existence of the Communist Chinese regime, the USSR would increase its aid to Communist China, possibly even to the point of openly committing Soviet forces against US forces in US/UN held territory and adjacent waters in the Far East.

D. CHINESE NATIONALIST BLOCKADE AND BOMBARDMENT

69. Communist China would almost certainly react to a Chinese Nationalist blockade effort by committing its air and naval forces against Chinese Nationalist blockading forces, and might launch air strikes against naval and air installations of Nationalist China. The Communist Chinese would probably react to a Chinese Nationalist effort to bombard lines of communications by strengthening their air defenses in East China and might retaliate by air action against territory held by Nationalist China.

- 46 -

TOP SECRET